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FIRST REPORT OF THE COMMITTEE ON FOREIGN TRADE OF THE AMERICAN ECONOMIC ASSOCIATION¹

I. *Introduction*

American problems of foreign trade are today involved in the larger questions of the economic relations between nations which will confront the Peace Conference.

It has therefore been the aim of the Committee to attempt to find in the present situation the economic influences that obstruct a just and permanent peace, to enunciate policies in foreign commerce compatible with such a peace, and to indicate the agencies for their execution.

II. *The Scope of the First Report*

The present report will be confined to the elements obstructing a just and lasting peace. A consideration of economic policies and institutions must wait on the political results of the Peace Conference.

1. *The psychology of war and the organization of peace.*—The desire for peace dominated all of Europe in the closing days of the struggle. The sentiments of war, however, are yet in the air, and accentuated by the victory. And presently we must build up the peace. Primarily, a proper attitude is necessary, so as to avoid incorporating into the organization of peace those measures and institutions which reflect the spirit of war. If war is to be done with, its counsels can have no place in the discussion of peace.

2. *The distribution of goods, services, and gold.*—The war has upset the international economic balance. Four years of organized destruction have temporarily exhausted many of the belligerents. Their territories have been invaded in part. Many of their peace industries have been curtailed and some ruined. Their ocean tonnage has been diminished. Their trade has shrunk. Their foreign investments have been reduced. Their debts abroad have increased manyfold. As a result of her entry into the struggle, the United States has in common with her fighting allies lost much, though less than that suffered by any other major belligerent.

¹ Based on a paper of Professor O. M. W. Sprague.

On the other hand, the neutrals and the inactive allies have grown considerably. They have advanced in the very fields in which the belligerents have retrogressed.

Again, the economic balance has been upset in other ways. The war drained the belligerents of raw materials and created for them great pyramids of paper currency. During the years of reconstruction the distribution of much needed goods, of transportation and other services, and the extension of the means wherewith to pay for them, must be effected not upon a selfish national basis but upon a just international conception such as pervaded our war aims and elevated the struggle above brutish slaughter.

3. *Competition of government controlled business.*—The governments of the world, either by direct ownership and operation or by the extension of subsidies, supervision, and control, will be more intimately concerned with business than ever before. Legalized combinations of purchasers will face combinations of sellers of other nations. Difficulties between individual traders will henceforth become possible cases of international dispute. The situation will call for more tact and consideration than were necessary under the prewar regime.

4. *The economics of military preparedness.*—Chief among the obstacles to an enduring peace is the desire for self-sufficiency as a protection against possible war. Out of this in part arises the demand for colonies, for commercial preferences, for special concessions. The mere desire for these arouses envy and fear on the part of other nations, who must likewise seek protection against possible economic blockade. Under conditions of lasting peace, the economic development of the world's resources and the expansion of the commerce between nations would be unhindered by the fear of the exploitation of economic advantages for political and military ends. For in essence, national interests are not of necessity antagonistic; they are rather mutually complementary. On the reciprocal needs of nations, commerce is based.

To secure as far as possible the abolition of war as a means of settling international differences is one of the chief duties of the Peace Conference. Shall it admit the possibility of a resort to arms for the adjustment of national grievances? If trial by combat remains as a potential arbiter of differences, war will surely follow any scheme of economic preparedness for its conduct. If the wager of battle be excluded, many of the economic causes of war will automatically vanish.

The priceless boon of international peace may be bought for an economic bagatelle.

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